

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ETRD, AU

SUBJECT: COUNTERVAILING DUTIES DUTY INVESTIGATION ON
AUSTRIAN CHEESE--AUSTRIAN DELEGATION MEETS WITH U.S.
OFFICIALS

1. SUMMARY: IN MEETING WITH TREASURY AND STATE OFFICIALS
PULTAR AND MEMBERS OF AUSTRIAN DELEGATION DESCRIBED
IMPORTANCE OF EMMANTHALER CHEESE EXPORTS TO AUSTRIAN
ECONOMY AND FARMERS, EXPLAINED THAT COUNTERVAILING ACTION
WOULD CAUSE SERIOUS PROBLEMS, EXPRESSED HOPE THAT A PRAG-
MATIC SOLUTION COULD BE FOUND IN PENDING CASE, AND THAT
WAIVER PROVISIONS OF U.S. TRADE ACT COULD BE USED. U.S.
OFFICIALS WELCOMED OPPORTUNITY TO MEET WITH AUSTRIANS AND
AGREED TO CONSIDER AUSTRIAN WRITTEN SUBMISSION BEFORE
MAKING ANY DECISION ON WHAT STEPS AUSTRIANS WOULD BE ASKED
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TO TAKE TO QUALIFY FOR WAIVER UNDER TRADE ACT. A SECOND
MEETING WILL BE SCHEDULED LATER IN YEAR TO NEGOTIATE
POSSIBLE WAIVER. MEETING VERY CORDIAL AND AUSTRIANS SEEMED
REASSURED THAT THEIR ARGUMENTS WILL BE FULLY CONSIDERED

PRIOR TO ACTION BY U.S. IN CASE. END SUMMARY.

2. ON MAY 18 AUSTRIAN DELEGATION, LED BY DR. ERICH PULTAR, AUSTRIAN MINISTRY OF AGRICULTURE, MET WITH U.S. OFFICIALS FROM TREASURY, STATE AND STR. U.S. TEAM CHAIRED

BY TREASURY DEPUTY ASSISTANT SECRETARY FOR TARIFF AFFAIRS PETER O. SUCHMAN. PULTAR ALSO MET WITH DEPUTY ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL TRADE POLICY MAYNARD W. GLITMAN. PULTAR STRESSED THAT COUNTERVAILING ACTION ON AUSTRIAN EMMANTHALER EXPORTS WOULD RESULT IN SEVERE HARDSHIP FOR AUSTRIAN DAIRY PRODUCERS, OUTLINING DEPENDENCE OF FARMERS IN MOUNTAIN AREAS ON EMMANTHALER SALES. HE EXPLAINED PURPOSE OF CHEESE SUBSIDIES AS ATTEMPT TO EQUALIZE FARM AND FACTORY INCOME AND EMPHASIZED IMPORTANCE OF CHEESE EXPORTS IN UNFAVORABLE AUSTRIAN TRADE BALANCE.

3. AT TREASURY MEETING PULTAR AND OTHER MEMBERS OF AUSTRIAN DELEGATION, WHO WERE ACCOMPANIED BY U.S. COUNSEL, ALSO PRESENTED ARGUMENTS TO SHOW THAT AUSTRIA QUALIFIED FOR USE OF WAIVER UNDER TRADE ACT. AUSTRIANS HAVE ALREADY VOLUNTARILY LOWERED SUBSIDY FOUR TIMES SINCE BEGINNING OF TREASURY INQUIRY (DECEMBER, FEBRUARY, MAY AND JUNE); AUSTRIAN EMMANTHALER PRICE SECOND HIGHEST IN U.S. MARKET; AUSTRIAN MARKET SHARE DECLINING; AUSTRIAN CHEESE EXPORTS TO U.S. DECLINING IN ABSOLUTE TERMS.

4. AUSTRIANS ALSO SUGGESTED THAT FAIR TREATMENT WOULD REQUIRE THAT ANY ACTION AGAINST AUSTRIA BE TAKEN SIMULTANEOUSLY WITH ACTION ON COMPETITORS (READ FINLAND, NORWAY), AND ASKED THAT THEY BE GIVEN MAXIMUM TIME TO RESOLVE PROBLEM AS WAS DONE FOR EC. THEY SUGGESTED THAT THEIR SITUATION DIFFERED FROM THAT OF EC BECAUSE AUSTRIAN EMMANTHALER MOSTLY TABLE QUALITY, WHILE A HIGH PROPORTION OF EC EMMANTHALER ENTERS U.S. FOR PROCESSING, NOTING THAT EC WAIVER MAINLY USED FOR TABLE CHEESES.

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5. ON SOFT CHEESES (ABOUT 10 PERCENT OF AUSTRIAN CHEESE EXPORTS TO U.S.) AUSTRIANS PROPOSED THAT SMALL QUANTITY AND NARROW SPECIALTY MARKET SHOULD ALLOW TREASURY TO WAIVE DUTIES ON THESE CHEESES. AUSTRIANS ALSO PRESENTED DATA ON EXPORT COSTS DESIGNED TO REDUCE TREASURY ESTIMATE OF BOUNTY OR GRANT.

6. IN RESPONDING TO AUSTRIANS SUCHMAN EXPLAINED THAT, WHILE AUSTRIAN AND OTHER CASES COULD BE RELATED IN DISCUSSIONS OF RESOLUTION, COMPLAINTS HAD NOT BEEN INSTITUTED BY USG AND TREASURY WAS REQUIRED TO ABIDE BY CERTAIN PROCEDURAL REQUIREMENTS. PETITIONS ARE RECEIVED IN STAGGERED

FASHION AND WOULD BE DIFFICULT TO HANDLE SIMULTANEOUSLY. FINAL DECISION IN AUSTRIAN CASE DUE NO LATER THAN JANUARY 1976 AND WHILE TREASURY COULD NOT GUARANTEE THAT IT WOULD WAIT UNTIL LAST MINUTE, AUSTRIAN POSITION WOULD BE GIVEN SYMPATHETIC CONSIDERATION. HE ALSO NOTED THAT U.S. ACTED QUICKLY IN EC CASE AFTER RESTITUTION PAYMENTS RESUMED.

7. SUCHMAN EXPLAINED THAT INCREASED EXPORT COSTS WERE NOT RELEVANT IN COUNTERVAILING CASES (WHILE THEY WOULD BE IN AN ANTIDUMPING INQUIRY) AND THAT IN DETERMINING LEVEL OF ANY BOUNTY OR GRANT IT WAS ASSUMED THAT HIGHER COSTS SHOULD BE REFLECTED IN THE EXPORT PRICE.

8. SUCHMAN STRESSED THAT U.S. HAS NOT DEVELOPED DEFINITE POSITION ON STEPS AUSTRIANS WOULD BE ASKED TO TAKE TO QUALIFY FOR POSSIBLE WAIVER BUT WILLING TO LISTEN TO AUSTRIAN ARGUMENTS AND WOULD WELCOME A WRITTEN PRESENTATION OF THOSE ARGUMENTS, INCLUDING DATA ON TRADE LEVELS, PRICES AND RELATIVE MARKET SHARES. HE INFORMED AUSTRIANS THAT U.S. INDUSTRY HAD NOT BEEN CONSULTED IN CASE, BUT THAT THIS WOULD BE DONE WHEN TREASURY HAD HAD AN OPPORTUNITY TO REVIEW AUSTRIAN SUBMISSION. SUCHMAN CONCLUDED BY EMPHASIZING THAT IT IS NOT U.S. INTENTION TO DRIVE AUSTRIA OUT OF U.S. MARKET, BUT THAT WE MUST FULFILL REQUIREMENTS OF LAW. SUGGESTED THAT IN OUR MUTUAL INTEREST TO WORK TOWARDS INTERNATIONAL GUIDELINES ON QUESTION OF SUBSIDIES IN GENEVA. KISSINGER

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